

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: December 15, 2010
Request for Final Resolution and
Assistance from the Small Business Assistance Fund and
Request for Tax-Exempt Bond Allocation Approval

Prepared by: *Samantha Russell*

Applicant:	Big Bear Disposal, Inc. and/or its Affiliates	Amount Requested:	\$4,850,000
Project		Application No.:	00839 (SB)
Location:	Big Bear City and Big Bear Lake (San Bernardino County)	Final Resolution No.:	512
		Prior Actions:	IR 10-10
			Approved 7/28/10

Summary. Big Bear Disposal, Inc. and/or its Affiliates (the “Company”) requests approval of a Final Resolution and Volume Cap Allocation Resolution for an amount not to exceed \$4,850,000 and a Small Business Assistance Fund Resolution not to exceed \$207,600 to finance and/or refinance construction and renovation activities for a MRF on a leased site in Big Bear City. The Company anticipates pollution control, water and air quality benefits along with job creation.

Borrower. The Company was incorporated in California on May 24, 1996. The Company provides refuse collection and disposal services in San Bernardino County.

The principal stockholders of the Company are as follows:

Gino Scopesi	33.3%
Tom Blackman	33.3%
Kris Kazarian	16.7%
Gary Kazarian	16.7%
Total:	<u>100.0%</u>

The Company is affiliated by virtue of common ownership with Oso Grande Properties, LLC which owns the project site in Big Bear Lake.

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

TEFRA. The TEFRA hearing was held on November 18, 2010. There were no comments received in support of or in opposition to this Project.

Fees. The Company will be paying an Administrative Fee of \$6,700.

SBAF Assistance. The Company is a small business eligible for assistance from the SBAF in an amount not to exceed \$207,600.

Prior Financings. None.

Project Description. The Company intends to build a Materials Recovery Facility (MRF), maintenance shop and related offices in Big Bear City on a leased site. The MRF will process commingled recyclables which are collected from local residential and commercial accounts in the area. The Project will include site improvements, construction of a building providing approximately 8,000 square feet for the MRF and an additional 5,000 square feet for the related ancillary needs of the facility.

The Company also intends to improve an additional parcel in Big Bear Lake with site work including grading, paving, and related improvements to provide for a public drop-off recycling and transfer center.

The anticipated Project and issuance costs are listed below:

Rehabilitation of Existing Buildings	\$ 200,000
Site Preparation	400,000
Construction of New Buildings	3,500,000
Engineering/Architecture/Legal, Permits, Etc.	500,000
Bond Issuance Expenses	97,000
Letter of Credit	6,255
Interest During Construction	<u>146,745</u>
Total:	<u>\$4,850,000</u>

Note: The Project costs reported in the Borrower's application and shown here in staff's report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax exempt financing, that they will be used to complete the Project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.

Anticipated Timeline. The Company anticipates that the construction and site improvements will be completed by September 2011.

Local Government. A letter of support was received from Mr. Jeff Mathieu, City Manager, City of Big Bear Lake (Attachment A).

Pollution Control and/or Environmental Benefits. The Company represents the Project will generate the pollution control and environmental benefits described below.

Air Quality. The MRF improvements are designed to minimize dust and odor emissions. Truck traffic and emissions will be reduced by eliminating shipping to Victorville, as is currently done.

Water Quality. The facility will operate on a paved surface. This will prevent any seepage of undesirable materials into the ground water. All runoff water is captured and filtered onsite.

Recycling of Commodities. The Company will recycle all recyclable solid waste delivered to the plant, including paper, cardboard, commingled recyclable waste, glass, aluminum, plastic and other marketable material.

Tax Revenues. The Company anticipates that the following tax revenues will be generated by the project:

Payroll taxes, State and Federal	\$15,000	Annually
Personal Property Taxes	\$40,000	Annually
Sales Tax	\$300,000	One Time

Jobs. Two new jobs will be created by implementation of this project.

Permitting and Environmental Approvals.

<u>Location</u>	<u>Discretionary Permit</u>	<u>Status of Application</u>	<u>Date of Issuance</u>
Big Bear City Site:	Conditional Use Permit	Issued	May 7, 2009
	Notice of Determination	Issued	May 13, 2009
	Registration Permits	Issued	February 12, 2010
Big Bear Lake Site:	Solid Waste Facilities Permit	Issued	January 27, 2010

Financing Details. The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit from Union Bank, N.A. that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is December 2010.

Financing Team.

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Orrick Herrington & Sutcliffe
Financial Advisor: Andrew S. Rose
Issuer’s Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Final Resolution No. 512 and Volume Cap Allocation Resolution No. 08-242-14 for an amount not to exceed \$4,850,000, and a SBAF Resolution in an amount not to exceed \$207,600 for Big Bear Disposal, Inc. and/or its Affiliates.

Final Resolution No. 512
Application No. 00839(SB)

**FINAL BOND RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO FINANCING AND/OR REFINANCING OF SOLID WASTE DISPOSAL
FACILITIES AND EQUIPMENT FOR
BIG BEAR DISPOSAL, INC. AND/OR ITS AFFILIATES**

December 15, 2010

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has received the application of Big Bear Disposal, Inc., a California corporation (the “Borrower”), for financial assistance to finance and/or refinance the acquisition, construction, improvement, renovation, rehabilitation and/or installation of a materials recycling facility, maintenance shop, offices, related facilities and equipment, public drop off recycling and transfer center and related improvements, located in San Bernardino County, and all as more particularly described in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”) (the “Project”); and

WHEREAS, the Borrower has requested the Authority to issue its revenue bonds from time to time in an amount not to exceed \$4,850,000 to assist in the financing and/or refinancing of the Project; and

WHEREAS, the proceeds of such revenue bonds will be loaned to the Borrower, under a loan agreement with the Authority; and

WHEREAS, final approval of the terms of such revenue bonds and certain documents relating to such revenue bonds is now sought; and

WHEREAS, the Borrower has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division; and

WHEREAS, in order to enhance the marketability of the bonds, the Borrower has arranged for the financial institution named in the Term Sheet to secure the bonds through the issuance of its direct-pay irrevocable letter of credit, thereby guaranteeing their repayment;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Project constitutes a “project” and the Borrower is a “participating party” within the meaning of the California Pollution Control Financing Authority Act (the “Act”).

Section 2. Pursuant to the Act, revenue obligations of the Authority, designated as the “California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010” (the “Bonds”), or such alternate

designation as may be approved by the Executive Director of the Authority, in an aggregate principal amount not to exceed \$4,850,000 are hereby authorized to be issued. The Bonds may be issued at one time, or from time to time, in one or more series separately or differently identified, and may be issued in a tax exempt or taxable mode, in accordance with the Indenture (as hereinafter defined) as finally executed. The proceeds of the Bonds shall be used to finance and/or refinance the Project and to pay a portion of the costs of issuance of the Bonds.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds, at one time or from time to time on or before December 31, 2010, by negotiated sale, at such price, at such interest rate or rates and in such mode (taxable or tax-exempt) as he may determine, such determination to be as set forth in the herinafter referred to Purchase Agreement.

Section 4. The following documents:

- i. a Loan Agreement relating to the Bonds between the Authority and the Borrower (the “Loan Agreement”);
- ii. an Indenture relating to the Bonds (the “Indenture”), between the Authority and the trustee named in the Term Sheet (the “Trustee”)
- iii. a bond purchase agreement relating to the Bonds among the Authority, the Treasurer of the State of California and the underwriter named in the Term Sheet (the “Underwriter”), and approved by the Borrower, (the “Purchase Agreement”); and
- iv. the official statement relating to the Bonds (in the form of either the “Preliminary Official Statement” or the final “Official Statement”)

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) in substantial conformance with the Term Sheet as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Indenture and the Purchase Agreement and by delivery thereof in the case of the Preliminary Official Statement or the Official Statement.

Section 5. The Authority understands and agrees that pursuant to the terms of the Loan Agreement the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity or by Affiliates of such Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower means any person or entity which meets the definition of “Participating Party” in the Act and controls, is controlled by, or is under common control with, the Borrower, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 6. The dates, maturity dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of each series of the Bonds shall be as provided in the Indenture, as finally executed.

Section 7. The Underwriter is hereby authorized to distribute the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds. The Underwriter is hereby directed to deliver a copy of the final Official Statement to all actual purchasers of the Bonds.

Section 8. The Bonds, when executed, shall be delivered to the Trustee under the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York, on behalf of the Underwriter in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Such instructions shall provide for the delivery of the Bonds to The Depository Trust Company, on behalf of the Underwriter thereof, upon payment of the purchase price thereof.

Section 9. The Authority hereby dedicates and confirms its allocation to the Bonds of \$4,850,000 of a portion of the 2008 State Ceiling on qualified private activity bonds as previously received, carried forward or to be received from the California Debt Limit Allocation Committee to finance and/or refinance certain costs of the Project and to pay certain costs of issuance of the Bonds, so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Bonds.

Section 10. Each officer of the Authority, acting alone, is hereby authorized and directed to do any and all ministerial acts that the officer may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Bonds, and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement, the Purchase Agreement and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including, without limitation, any certifications and one or more tax certificates.

Section 11. The provisions of the resolution of the Authority entitled "Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings" adopted by the Authority on December 15, 2010, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

Section 12. The Authority hereby approves and ratifies each and every action taken by its officers, agents, members and employees prior to the date hereof in furtherance of the purposes of this Resolution.

Section 13. This Resolution shall take effect immediately upon its passage. The adoption by the Authority of this Resolution for the Borrowers shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

EXHIBIT A

TERM SHEET

Name of Issue:	California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010 (the “Bonds”)
Maximum Amount of Issue:	\$4,850,000.
Issuer:	California Pollution Control Financing Authority (the “Authority”), Sacramento, CA
Borrower:	Big Bear Disposal, Inc.
Trustee:	The Bank of New York Mellon Trust Company, N.A.
Senior Underwriter or Placement Agent:	Westhoff, Cone & Holmstedt
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP, San Francisco, CA
Remarketing Agent:	Westhoff, Cone & Holmstedt
Project	<p>A portion of such Bond proceeds is intended to finance and/or refinance the following projects in the County of San Bernardino, California:</p> <p>(1) acquisition, construction, improvement, renovation, rehabilitation and/or installation of a materials recycling facility, maintenance shop, offices and related facilities and equipment to be located at 520 West North Shore Drive, Big Bear City, California.</p> <p>(2) acquisition, construction, improvement, renovation, rehabilitation and/or installation of a public drop off recycling and transfer center, including paving, grading and related improvements, to be located at 41970 and 41974 Garstin Drive, Big Bear Lake, California.</p>
Maximum Bond Term:	Not to exceed 30 years

Agenda Item 4.D.1.

Type of Sale:	Negotiated sale
Description of Minimum Denominations:	\$100,000 or any integral multiple of \$5,000 in excess thereof while in variable rate mode
Financing Structure:	Variable rate demand bonds; convertible to fixed rate pursuant to the Indenture
Maximum Interest Rate:	12%
Letter of Credit:	Provided by Union Bank, N.A.
Other Credit Enhancement:	Not applicable
Anticipated Bond Rating:	Minimum “A”
Type of Financing:	Solid waste disposal revenue bonds
Prepared by:	Tony Cone, (925) 472-8750

**RESOLUTION OF THE CALIFORNIA
POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO ASSISTANCE FROM THE SMALL
BUSINESS ASSISTANCE FUND FOR
BIG BEAR DISPOSAL, INC. AND/OR ITS AFFILIATES**

December 15, 2010

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has approved the application of Big Bear Disposal, Inc. (the “Borrower”) for financial assistance to finance and/or refinance the acquisition, construction, improvement, renovation, rehabilitation and/or installation of a materials recycling facility, maintenance shop, offices and related facilities and equipment, and a public drop off recycling and transfer center, all as more particularly described in Application No. 00839 (SB) of the Borrower (the “Project”) and has adopted its Final Resolution No. 512 (the “Final Resolution”) authorizing the issuance of revenue bonds to provide such financial assistance; and

WHEREAS, the Authority has established the Small Business Assistance Fund (the “Fund”) to assist small businesses to obtain pollution control financing through the issuance of tax-exempt revenue bonds (the “Bonds”); and

WHEREAS, the Authority has received and accepted an application from the Borrower for assistance from the Fund; and

WHEREAS, the Borrower has demonstrated a financial capability to make loan payments to the satisfaction of Union Bank, N.A., as the issuer of a direct pay irrevocable letter of credit securing the Bonds, as named in the Final Resolution; and

WHEREAS, authorization of assistance from the Fund is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Borrower (as defined in the Final Resolution) is a “Small Business” as classified pursuant to Title 13 Code of Federal Regulations, Part 121, Subpart A (1-1-94 edition) or it has 500 employees or less, and is otherwise eligible for assistance from the Fund.

Section 2. The Project constitutes a “project” within the meaning of the California Pollution Control Financing Authority Act.

Section 3. The Authority hereby authorizes and approves up to \$207,600 of assistance from the Fund to the Borrower to be used for payment of initial Letter of Credit fees and certain costs of issuance of the Bonds. The actual amount of assistance shall be determined by the Executive Director of the Authority based upon the final terms of the sale of the Bonds.

Section 4. The Executive Director of the Authority is hereby authorized and directed, acting alone, to do any and all ministerial acts and to execute and deliver a contract for financial assistance with the Borrower in conformance with the terms of this resolution, which he or she may deem necessary or advisable in order to provide the assistance from the Fund and otherwise to effect the purposes of this resolution.

Section 5. This resolution shall take effect immediately upon adoption hereof. The adoption by the Authority of this resolution for the Borrower shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

RESOLUTION NO. 08-242-14

**A RESOLUTION DEDICATING FOR USE OF A PORTION OF THE 2008 STATE
CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR AN
EXEMPT FACILITY PROJECT**

WHEREAS, the California Pollution Control Financing Authority (“CPCFA”) has received an application (“Application”) from Big Bear Disposal, Inc. and/or its Affiliates (“Project Sponsor”) for approval of the issuance of revenue bonds; and

WHEREAS, on December 15, 2010, CPCFA approved Final Resolution No. 512 (“Final Resolution”) authorizing the issuance of up to \$4,850,000 of its solid waste disposal revenue bonds (Big Bear Disposal, Inc. Project) Series 2010 (“Bonds”); and

WHEREAS, in seeking CPCFA approval of the Final Resolution, the Project Sponsor represented certain facts and information concerning the project to CPCFA which were relied upon by CPCFA in approving the Final Resolution; and

WHEREAS, the California Debt Limit Allocation Committee (“CDLAC”) has previously transferred to CPCFA a portion of the 2008 State Ceiling on Qualified Private Activity Bonds pursuant to Section 146 of the Internal Revenue Code of 1986, as amended, for use by CPCFA to issue bonds or other obligations in a manner consistent with CDLAC’s policies and procedures. Accordingly, capitalized terms not otherwise defined shall have the meanings ascribed to them in the “Procedures of the California Debt Limit Allocation Committee Implementing the Allocation of State Ceiling on Private Activity Bonds” (“CDLAC Procedures”); and

WHEREAS, it is appropriate for CPCFA to confirm the use of a portion of the 2008 State Ceiling on Qualified Private Activity Bonds allocated to CPCFA (“CPCFA Allocation”) to the issuance of the Bonds as set forth in the Final Resolution;

NOW, THEREFORE, CPCFA resolves as follows:

Section 1. CPCFA Allocation in the amount of \$4,850,000 is hereby dedicated to the issuance of the Bonds. The dedicated CPCFA Allocation may be used only by the Project Sponsor and only for the issuance of Bonds for the Project, as specifically described in Exhibit A, and consistent with the terms of the Final Resolution. All of the terms and conditions of Exhibit A, and the Final Resolution are incorporated herein as though set forth in full (this resolution, the Final Resolution and Exhibit A, collectively “Resolution”).

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor and all its respective successors and assignees, will be bound by such terms and conditions.

Section 3. Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and shall require reconsideration by the CPCFA before the Allocation may be used for the Project.

Section 4. The CPCFA Allocation dedicated by this Resolution shall automatically revert to CPCFA unless the Bonds for the Project have been issued by CPCFA by the close of business on **February 15, 2011**. In a case of extreme hardship, the Executive Director may extend this date by up to thirty (30) business days.

Section 5. Within twenty-four (24) hours of issuing the Bonds, CPCFA shall notify CDLAC via the email or the fax number as provided in Section 5140 of the CDLAC Regulations that the Bonds have been issued. This notice shall identify the Project Sponsor, the project or program, the date and amount of the Bonds issued.

Section 6. Within fifteen (15) calendar days of the Bond closing, CPCFA or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting the appropriate completed Report of Action Taken in a form prescribed by and made available by CDLAC.

Section 7. Any differences between the amount of Bonds issued and the amount of the CPCFA Allocation dedicated in Section 1 of this Resolution shall automatically revert to CPCFA. If at any time prior to the expiration date set forth in Section 4 hereof the Project Sponsor determines that part or all of the CPCFA Allocation dedicated in Section 1 of this Resolution will not be required by the Project by that date, the Project Sponsor shall promptly give notice to CPCFA.

Section 8. In consideration of the CPCFA Allocation dedicated in Section 1 of this resolution, the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Project Sponsor expressly agrees that the terms and conditions of this Resolution may be enforced by CDLAC or CPCFA through an action for specific performance or any other available remedy, provided however, that CDLAC and CPCFA agree not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, CPCFA shall ensure that the Bond documents, as appropriate, expressly provide that CDLAC is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 9. The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by CDLAC or CPCFA.

Section 10. This Resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 08-242-14
(AN EXEMPT FACILITY PROJECT)
EXHIBIT A

1. Project Sponsor: Big Bear Disposal, Inc. and/or its Affiliates
2. Application #: 00839
3. Project User: Big Bear Disposal, Inc.
4. Project Name: Big Bear Disposal, Inc.
5. Location: San Bernardino County
6. Credit Enhancement: Union Bank, N.A.
7. The Credit Enhancement Provider at the time of issuance will be the same as represented in the application.
8. Amount of Allocation: \$4,850,000